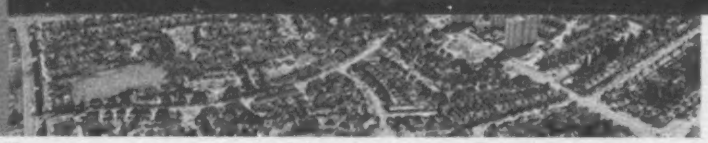
HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK

Windsor CMA



Canada Mortgage and Housing Corporation

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New Home Market

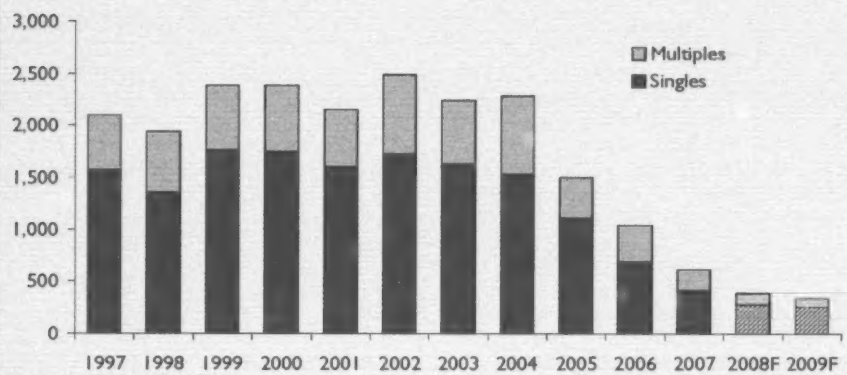
Construction Slowdown Continues

New home construction in the Windsor Census Metropolitan Area (CMA) will moderate 14 per cent in 2009 to its lowest level since 1984. Total home starts will dip to less than 350 units. Demand for all dwelling types will moderate. Construction will begin on a total of 255 single-detached homes in 2009, an easing of nine per cent from 2008. Out-migration and a greater selection in the resale home market will contribute to moderating demand for new homes in 2009. Housing starts will stabilize in 2010 and minimally improve over the next two years.

Residential land is readily available in the CMA. The average price of a

Figure 1

Housing Starts Will Fall



Source: CMHC forecast

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new home in the Windsor CMA will continue to be well above the cost of the average resale home. The New House Price Index, which measures changes in the price of a similar house on a similar lot, declined two per cent in the Windsor CMA in 2007 due to both lower land costs and lower labour costs and has remained flat in 2008. At the same time the average price of a newly constructed single-detached house in the Windsor CMA has risen due to a change in the type of home in demand. The upper end of the market (above $300,000) is still active and will pull the average price up to $340,000 in 2009.

The supply of single and semi-detached homes completed and not yet sold has risen over the past two years from an average of 6 homes in the first eight months of 2006 to 70 homes for the same period in 2008. The slow market may encourage some builders to shift into the renovation field or non-residential construction work.

Construction of new multiple units will continue to moderate as well in 2009. Rental construction will be limited to a few four-plex buildings due to the high vacancy rate. Condominium starts will also be limited since demand is negligible given the ample selection in the resale market. The bulk of multiple starts activity will come from freehold townhome construction which fills a market niche in the area.

Resale Home Market

Resale to Cool in 2009

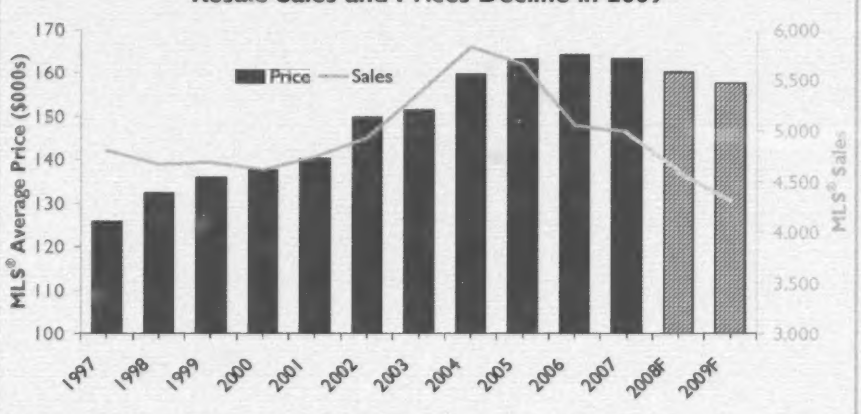
Existing home sales in Windsor-Essex will moderate in 2009, albeit at a slower pace than over the past two years. Sales through the Windsor-Essex Real Estate Board will soften a further six per cent to 4,300 units. Low mortgage rates and affordable prices will provide underlying support for the resale market..

New listings, a measure of supply, will remain high. Slightly more homes will be listed for sale in 2009. At 11,400, new listings will be up less than two per cent from 2008. The supply of new listings peaked in 2006. Many homeowners were encouraged to put their homes up for sale in a housing market environment which saw prices rising faster than inflation. In 2009, more homes will be listed as the job market in Windsor continues to soften.

Market tightness is measured by the sales to new listings ratio (SNLR)[1]. The SNLR has been trending lower after peaking in 2002. With supply outpacing demand in 2009, the SNLR will average less than 40 per cent. The Windsor-Essex resale market will continue to favour buyers into 2009. As a result of the cooling of the market in the last few years, the average sale price will edge lower. The average price of a resale home will decline to $157,500 in 2009 due to aggressive negotiations by a limited number of buyers. Ranch homes will be the most popular sellers with areas such as South Windsor and LaSalle continuing to be attractive locations for purchases.

Figure 2

Resale Sales and Prices Decline in 2009



Source: Windsor Essex Real Estate Board, CMHC forecast

[1] In Windsor-Essex a buyers' market is associated with a SNLR below 45 per cent, while a ratio between 45 and 55 per cent indicates a balanced market. In a buyers' market, prices are falling while in a balanced market, they are rising in line with inflation.

More People Leaving

Net migration to the Windsor CMA remains negative. More people moved away from the area each year since 2004 than have relocated to Windsor. This is expected to continue in 2009 with the net loss of nearly 1,700 people. The first impact can be seen in the rental market as renters are more mobile than owners.

In the rental market the average apartment vacancy rate in Windsor was 12.8 per cent in October 2007 and is expected to remain high in 2008. Contributing to the high vacancy rate are several factors such as higher unemployment among youth, out-migration in search of employment, and competition from homeownership. The average two bedroom apartment rent is forecast to fall to $768 in October 2008, as landlords refrain from raising rents in an effort to keep existing tenants.

In an attempt to attract new residents to the Windsor-Essex area efforts are being made to market the area to mature adults of retirement age. Visitors and residents extol the many recreational opportunities, affordable housing and temperate climate of the area.

As a result of Canadians' changing lifestyles the size of our households are shrinking. According to the 2006 Census the average number of people per household in the Windsor CMA was 2.72; this is forecast to decrease to 2.52 by 2026, indicating the need for smaller dwellings. In Windsor the proportion of single-detached housing stock is higher than any other major metropolitan centre in southern Ontario. Based on projections the 55-64 year-old age group will be the dominant consumers in the area over the next several years demand for single-detached housing will continue to represent the bulk of desired new housing options.

Economic Trends

Job Shedding Slows

Employment is a key factor supporting housing demand. In 2009 employment in the Windsor CMA is forecast to moderate by less than one per cent to 154,000.

Recent federal budget allocations of $315 million for university automotive research and innovation will benefit the Windsor area. Several sectors including retail trade, health care and social assistance, and the educational services sector have started to show some recovery.

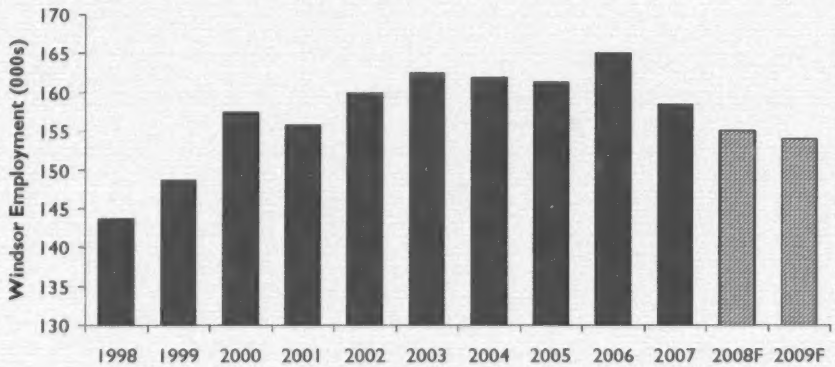
On a positive note, the Windsor area was ranked as North America's leading small City of the Future. (Small cities were defined as having populations between 101,000 and 500,000). Windsor scored fourth as the city with the best economic potential.

The grand opening of Caesars casino has been positive and although conventions are booked one-two years in advance, Windsor is now in the position to vie for larger events. This will help the service and tourism sectors begin to recover as the new hotel, convention centre and performance auditorium are fully booked.

The proposed $1.6 billion upgrade to the border crossing will create many short-term construction jobs, and go along way in stemming the sliding consumer sentiment in the area, however there remain many administrative levels before a shovel may hit the ground in late 2009.

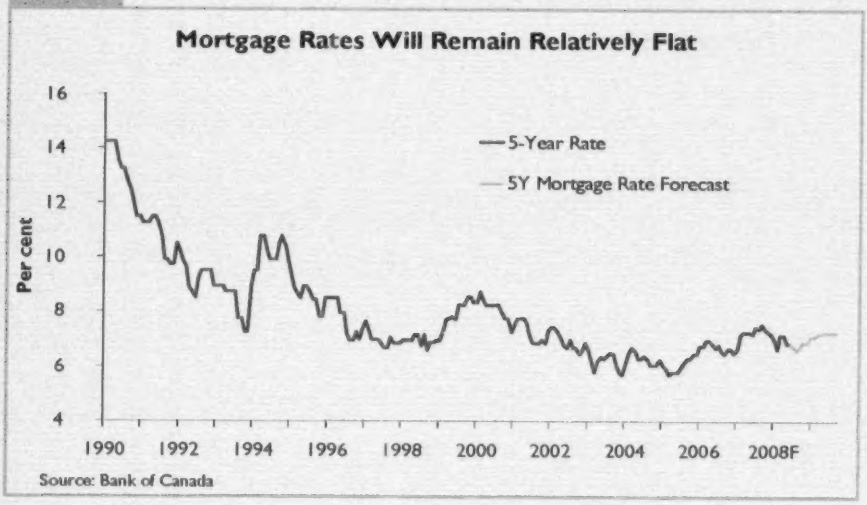
Figure 3

Employment Continues to Decline



Source: Statistics Canada Labour Force Survey, CMHC Forecast

Figure 4



Mortgage Rates

Mortgage rates are expected to be relatively stable throughout the last quarter of this year, remaining within 25-50 basis points of their current levels. Posted mortgage rates will decrease slightly in the first half of 2009 as the cost of credit to financial institutions eases. Rising bond yields, however, will nudge mortgage rates marginally higher in the latter half 2009. For the last quarter of 2008 and in 2009, the one year posted mortgage rate will be in the 6.00-6.75 per cent range, while three and five year posted mortgage rates are forecast to be in the 6.50-7.25 per cent range.

Forecast Summary
Windsor CMA
Fall 2008

	2005	2006	2007	2008f	% chg	2009f	% chg
Resale Market							
MLS® Sales	5,661	5,047	4,987	4,600	-7.8	4,300	-6.5
MLS® New Listings	11,297	11,802	11,718	11,200	-4.4	11,400	1.8
MLS® Average Price ($)	163,001	164,123	163,215	160,000	-2.0	157,500	-1.6
New Home Market							
Starts:							
Single-Detached	1,110	692	417	280	-32.9	255	-8.9
Multiples	386	353	197	108	-45.2	88	-18.5
Semi-Detached	96	50	48	28	-41.7	20	-28.6
Row/Townhouse	182	90	83	50	-39.8	30	-40.0
Apartments	108	213	66	30	-54.5	38	26.7
Starts - Total	1,496	1,045	614	388	-36.8	343	-11.6
Average Price ($):							
Single-Detached	234,959	252,302	285,819	315,000	10.2	340,000	7.9
Median Price ($):							
Single-Detached	189,900	210,470	259,000	285,000	10.0	300,000	5.3
New Housing Price Index (% chg.)	2.9	-0.1	-2.1	0.6	-	1.0	-
Rental Market							
October Vacancy Rate (%)	10.3	10.4	12.8	13.3	0.5	10.9	-2.4
Two-bedroom Average Rent (October) ($)	780	774	773	768	-	778	-
Economic Overview							
Mortgage Rate (1 year) (%)	5.06	6.28	6.90	6.75	-0.2	6.31	-0.4
Mortgage Rate (5 year) (%)	5.99	6.66	7.07	7.05	0.0	6.92	-0.1
Annual Employment Level	161,300	165,100	158,400	155,000	-2.1	154,200	-0.5
Employment Growth (%)	-0.4	2.4	-4.1	-2.1	-	-0.5	-
Unemployment rate (%)	7.9	9.0	9.3	9.6	-	9.3	-
Net Migration [1]	-1,199	-1,499	-1,774	-1,700		-1,679	

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Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over
(1) 2007 migration data is forecasted

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